STABIHO
INVESTMENT PARTNERS

Stabiho Emerging Markets Action P

AUM: 14.94 M€

Share	ISIN	Bloomberg Ticker	NAV per share (in euro)
P share	FR001400GNA84	STEMMAP:FP	99.71

SICAV Emerging Markets Equity
Register for sale in:
SFDR Classification: Article 8

INVESTMENT TEAM

Charles Biderman

Wojciech Stanislawski

INVESTMENT OBJECTIVE

The sub-fund is actively managed and aims to achieve a performance with a recommended 5-year investment horizon. The sub-fund invests in emerging markets equities of all size and economic sector and without any constraints related to an index.

INVESTMENT STRATEGY

★ **Mission** : Capture structural growth in emerging markets

★ **Primary scope :** country with GDP per capita < 20k USD

★ **Style** : Growth at Reasonable Price

★ **Philosophy** : contrarian, long-term, conviction-based

★ **Portfolio** : concentrated, very high active share, differentiated

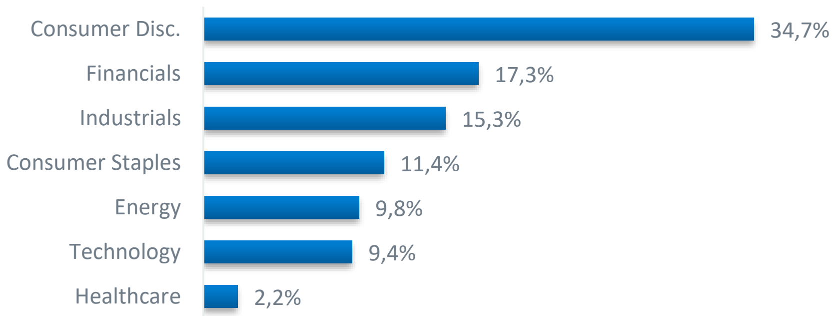
NET PERFORMANCE

	1 month	YTD	1 year	Since inception
Fund P share	-3.60%	-10.98%	-0.78%	0.33%

TOP 5 HOLDINGS (%)

Companies:	%
ANTA SPORTS PRODUCTS LTD (XHKG)	5.6
Sumber Alfaria (XIDX)	5.4
SANY HEAVY INDUSTRY S.A (XSSC)	5.1
BANK CENTRAL ASIA TBK PT (XIDX)	4.7
BDO Unibank Inc (XPHS)	4.4

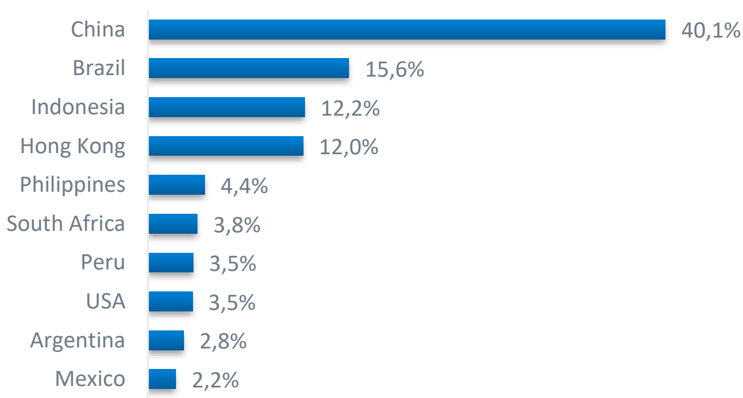
SECTOR BREAKDOWN (%)



PORTFOLIO CHARACTERISTICS

P/E NTM (x)	10.5
P/BV (x)	2.2
DY (%)	3.6
ROE (%)	15.3
Ebitda (%)	21.8
ND/Ebitda (x)	-0.7
EPS Growth 2026 (%)	9.8

COUNTRY BREAKDOWN (%)



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CUMULATIVE PERFORMANCES (%)

	1 month	YTD	1 year	Since inception
Fund	-3.6	-10.98	-0.77	0.33
MSCI EM	0.63	27.22	47.34	73.97
Relative perf.	-4.23	-38.2	-48.12	-73.64

1-YEAR RISK INDICATORS

Fund volatility (%)	12.3	**Tracking Error (%)**	19.2
Sharpe ratio	-0.4	**Information ratio**	-28.9
Beta	0.4		

IMPORTANT INFORMATION

Portfolio characteristics

Currency	EUR (€)
Inception date	3 July 2023
AMF classification	International Equities
Cut off	10:30 am French time
Benchmark	MSCI Emerging Market Net return – EUR
Valuation	Each business day of the Paris Stock Exchange

Parties

Investment Manager	Stabiho Investment Partners
Depositary	CACEIS
Custodian	CACEIS
Auditor	PWC Audit
Fund Managers	Wojciech Stanislawski & Charles Biderman
Valuation frequency	Daily
NAV	Calculated using closing prices of D

Risk indicator

A Lower risk — Higher risk

1	2	3	**4**	5	6	7

Potentially lower return — Potentially higher return

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 4 out of 7 which is a medium risk class. This rates the risk of potential losses from future performance at a medium level.
In other words, the potential losses related to the future results of the product are at a medium level and, if the situation deteriorates on the markets, our ability to pay you may be affected. This product does not include any protection from future market performance so you could lose some or all of your investment.

Fees

Share	Allocation of distributable sums	Date of 1st NAV	Initial minimum investment	Management fees	Management fees + Operating fees*	Maximum subscription fees
Share P	Capitalization	5 Sept. 2023	1 share	1.25% inc. Taxes	1.60%	3.25%

* On top of these fees, in theoretical case where we would be mainly invested in UCITS, « indirect fees » can apply up to 0.3% max. Please see the prospectus and KID of each share for exhaustive details on fees applied by the sub-fund.

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Quarterly comments (1/4)

Market behaviour over the past quarter was extreme in many respects. We would remind readers that although we are not invested in it and regularly condemn its excesses, we in no way question the revolutionary nature of artificial intelligence. While nothing is set in stone, it is highly likely that AI will deliver substantial productivity gains and profoundly transform the way we work. Some industries will disappear, while others will emerge from this technological transformation.

When? How? On what scale? We are unable to say with any certainty.

The market, however, appears to have already made up its mind. Not only is it now fully convinced of AI's considerable potential, it has also drawn a very clear line between the segments it believes will benefit durably from this revolution – semiconductors first and foremost – and those it already considers doomed, such as traditional IT services.

Moreover, it is somewhat unsettling to note the near-total absence of criticism of the very foundations of AI technology. We have found no articles or analyses genuinely challenging its economic usefulness, its return on investment, or its long-term prospects. Admittedly, there is no shortage of debate about the risks it may pose to individuals or to society, but that is a different matter. Rarely have we observed such a unanimously positive consensus around an investment theme. Even previous major trends, such as electric vehicles or climate change, still gave rise to objections or opposing views.

The consequence is only natural: everyone now wants exposure to AI, institutional and retail investors alike. Capital is being drawn toward companies seen as beneficiaries of the data centre investment boom and, more recently, toward semiconductor producers. Conversely, flows have withdrawn from sectors perceived as outdated or doomed to decline: consumer, healthcare, industrials, IT services, digital platforms, but also many emerging markets such as China, India, Indonesia, and Mexico.

Index concentration has now reached extreme levels of which the MSCI Emerging Markets index provides a striking illustration: three companies now account for more than 25% of the index. One may legitimately wonder whether passive investing, despite its low cost, is still a good idea for long-term investors, given how poorly it reflects what is happening on "Main Street".

At first glance, markets – as represented by indices increasingly distorted by this concentration – keep rising. The MSCI EM is up roughly 30% year to date. On the surface, then, we would appear to be in a full-blown bull market.

The reality, however, is more nuanced.

If **Taiwan and South Korea** are excluded from the MSCI EM index, the picture changes significantly. The major emerging markets of **China, India, and Indonesia** are posting weak or even negative performances, as are the main "old economy" sectors.

The media now speak of an emerging markets stock market awakening. In reality, this is mainly speculation concentrated in Taiwan and South Korea, which together account for more than half of the index and whose markets are largely geared toward developed countries and their enthusiasm for AI.

An obvious question then comes to mind: how long will flows continue to head toward AI, and AI alone? What about the real economy? The average consumer? Investment in schools, roads, ports, hospitals, and real estate, whose development has traditionally formed the bedrock of more balanced growth? How long will value creation remain concentrated exclusively in a handful of Silicon Valley technology companies?

We do not know. Market irrationality can sometimes last far longer than one might imagine. All the more so as the political leaders of the world's leading financial power also have an interest in seeing markets continue to climb.

- Yet the signs of advanced exuberance are already numerous:Giant IPOs valued on the basis of promises rather than economic realities;
- A proliferation of leveraged ETFs;
- Record levels of margin debt among retail investors;
- Historic index concentration;

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Quarterly comments (2/4)

- Valuation multiples close to those observed during previous speculative bubbles, even as earnings growth is being sustained by a form of circular economy built around AI investments.

And on a more anecdotal note, we also observe:

- The appearance of articles announcing the demise of old-economy companies, including firms as emblematic as Berkshire Hathaway;
- Conversations in which the subject of AI systematically comes up, whatever the context;
- The near-exclusive presence of the leaders of the main US AI-related companies at recent international summits.

The positioning of **Stabiho Emerging Markets** is clearly unfavourable in the current environment. Our heavy weighting in consumer-oriented stocks, our significant exposure to China and Indonesia, and our lack of exposure to South Korea and Taiwan have weighed heavily on our performance this year. Our convictions and our intellectual discipline did not allow us to take part in the euphoria surrounding AI-related stocks. We are now bearing the consequences, as has indeed been the case since the fund’s inception.

The absence of technology stocks weighed particularly heavily on the performance of **Stabiho Emerging Markets** over the past quarter. While the benchmark index rose by +20.9%, the fund declined by -10.7% in euros.

As already mentioned, the trends observed over the past several months intensified further during the quarter. The MSCI EM index is now driven essentially by two countries, one sector, and three stocks, and is no longer at all representative of the emerging world, its main populations, or its growth drivers. As the table below unequivocally illustrates, **the dichotomy is striking by country…**

Countries in EURO	YTD	QTD	MTD
MSCI Korea Index	124,3%	87,7%	2,4%
MSCI Taiwan Index	66,2%	50,6%	3,4%
MSCI Peru Index	31,4%	7,2%	3,1%
MSCI Thailand Index	25,0%	7,4%	0,2%
MSCI Mexico Index	12,2%	2,8%	-0,9%
MSCI Brazil Index	11,0%	-8,0%	-1,2%
MSCI Saudi Arabia	5,9%	-4,1%	-0,7%
MSCI Philippines Index	2,5%	5,0%	10,3%
MSCI Chile Index	1,7%	2,8%	0,1%
MSCI Malaysia Index	1,2%	-1,1%	-2,3%
MSCI China All Shares Net Tota	-2,4%	2,7%	-0,9%
MSCI South Africa Index	-4,4%	-2,3%	-4,7%
MSCI India Index	-7,7%	10,5%	3,5%
MSCI China Index	-13,5%	-6,6%	-5,5%
MSCI Indonesia Index	-42,3%	-27,9%	-8,1%

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Quarterly comments (3/4)

…and by sector…

Sectors in EURO	YTD	QTD	MTD
MSCI EM Information Technology	97,5%	74,9%	3,9%
MSCI EM Industrials Index	21,9%	19,1%	-0,8%
MSCI EM Utilities Sector Index	4,8%	-0,6%	-2,0%
MSCI EM Financials Index	4,0%	6,6%	3,8%
MSCI EM Energy Sector Index	0,9%	-10,1%	-7,2%
MSCI EM Health Care Index	-0,9%	1,9%	2,1%
MSCI EM Materials Sector Index	-2,6%	-4,8%	-8,4%
MSCI EM Consumer Staples Index	-4,7%	-1,9%	-1,5%
MSCI Emerging Markets Communic	-16,2%	-2,8%	0,8%
MSCI EM Consumer Discretionary	-19,0%	-9,7%	-12,4%

During the quarter, we increased the portfolio's cash level in order to face the many uncertainties on the horizon, while retaining the flexibility needed to seize the opportunities that will inevitably arise.

We continued patiently building our positions in Indonesia, taking advantage of market weakness. We thus added to the leading bank **Bank Central Asia** as well as to **Cisarua Mountain Dairy**, a company specializing in dairy products and snacking. In an environment that remains challenging for the Indonesian consumer, the latter has chosen to hold its prices despite the trading-down trends observed in the market. This strategy does not appear to be hurting its growth trajectory: the target of double-digit revenue growth this year should be met thanks to the launch of innovative new products.

We also took advantage of the ongoing correction in the software sector to initiate a position in **Totvs**, the Brazilian leader in ERP solutions for small and medium-sized enterprises. Its distribution network, its deep understanding of its customers' needs, and the breadth of its offering strike us as particularly solid barriers to entry. The contraction in valuation multiples has been significant: the stock now trades on a forward P/E of 15x, versus an average of 27x over the past ten years, even though growth prospects remain high, at around 20% per year. Moreover, our recent discussions with management give no indication of any near-term slowdown in activity.

We also selectively added to several positions in China that we believe are being unfairly punished by the market despite solid results and encouraging prospects. This is notably the case of **Yum China**, the operator of the KFC and Pizza Hut brands in China, and of **Sany Heavy**, a construction equipment giant. The latter continues to gain market share internationally, particularly in the Asia-Pacific region, where margins are significantly higher than in the highly competitive Chinese domestic market.

To fund these investments, we took profits on several positions that had performed well, notably **SLB, Credicorp, and Midea**.

Despite a temporary slowdown in some of its Middle East activities following the regional conflict, oil services company SLB benefited from renewed investor interest in the energy sector. In Peru, the bank Credicorp reported solid results, and the presidential election paves the way for a recovery in investment in the country, particularly in infrastructure and mining projects. This improvement in the outlook has translated into a significant expansion of valuation multiples. We initiated our position at less than 8 times earnings and 1.2 times book value; the stock now trades at around 12 times earnings and 2.6 times book value.

We also sold our position in **Arca Continental** after a good performance, driven both by the appreciation of the Mexican peso and by the stock's rise to our price target. We will nevertheless continue to follow this high-quality company closely.

Finally, we exited **Bidvest,** a South African business services company. Although the company remains of high quality, an acceleration in its growth seems difficult to envisage without a significant improvement in the local economic environment. And the developments observed in recent months do not, in our view, point in that direction. Here again, we will continue to monitor the situation closely.

Quarterly comments (4/4)

We nevertheless remain convinced that the market environment will gradually shift in favour of our strategy. Consumer stocks, largely neglected today, could become particularly attractive again once the enthusiasm surrounding AI normalizes. In China in particular, they could benefit from an economic recovery, the stabilization of the property sector, or the return of inflation.

The fundamentals of our portfolio remain solid. According to consensus estimates, its aggregate earnings-per-share growth will be in double digits in both 2026 and 2027. Its dividend yield stands at 3.6%. The companies held in the portfolio have, overall, a positive net cash position and generate a return on equity (ROE) of 15%.

The portfolio trades on a twelve-month forward P/E of just 10.5x. This multiple has fallen by nearly 20% since the start of the year, reflecting a de-rating – both absolute and relative – that strikes us as completely disconnected from the quality of the underlying fundamentals. Furthermore, these low valuation levels offer particularly attractive upside potential. Finally, the spectacular rise of the technology sector has been accompanied by particularly high volatility, which for now remains favourable to investors but could quickly reverse. The fund remains outside this dynamic and thus retains a markedly more defensive risk profile. Its beta accordingly remains particularly low, at around 0.5.

Wojciech et Charles